

Message Text

UNCLASSIFIED

PAGE 01 LISBON 00619 01 OF 02 220920Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /102 W
-----220930Z 010632 /12

P 211741Z JAN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 9911
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

UNCLAS SECTION 1 OF 2 LISBON 0619

PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: ECON, PO
SUBJ: GOP DECISIONS TO INCREASE RECEIPTS SIGNIFICANTLY

1. BEGIN SUMMARY: GOP HAS TAKEN SEVERAL DECISIONS WHICH WILL
PROVIDE A MAJOR INCREASE IN PUBLIC SECTOR RECEIPTS DURING
1977. THESE DECISIONS, FORESHADOWED IN THE 1977 BUDGET PRESENT-
ATION, FACILITATE ACHIEVEMENT OF THE 1977 DEFICIT TARGET.
END SUMMARY.

2. SOCIAL SECURITY TAX: PRESS ACCOUNTS REPORT THAT MINISTRY
OF SOCIAL AFFAIRS HAS PUBLISHED DECREE INCREASING CONTRIBUTIONS
TO THE SOCIAL SECURITY (PREVIDENCIA). CONTRIBUTIONS FROM
WORKERS ARE TO RISE BY ONE PERCENTAGE POINT; THOSE FROM EMPLOYERS
BY TWO PERCENTAGE POINTS. GOVERNMENT ESTIMATES ARE THAT
THESE INCREASES WILL PROVIDE FIVE BILLION ESCUDOS IN ADDITIONAL
REVENUES.

3. PETROLEUM PRODUCT PRICES: AS OF JANUARY 21 THE
FOLLOWING NEW PRICE SCHEDULE WENT INTO EFFECT FOR
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 00619 01 OF 02 220920Z

PETROLEUM PRODUCTS. THE DIVISION OF THE INCREASED REVENUES
BETWEEN THE DISTRIBUTING COMPANIES AND THE GOVERNMENT,
THE LATTER IN THE FORM OF CONTRIBUTIONS TO THE
SUPPLY FUND, HAD NOT BEEN DETERMINED. EVEN ALLOWING
FOR A REASONABLE INCREASE TO THE COMPANIES, HOWEVER,
ESTIMATES ARE THAT THE NET GROWTH IN RECEIPTS FOR THE
SUPPLY FUND SHOULD APPROXIMATE 6 BILLION ESCUDOS.

THIS AMOUNT, PARTICULARLY WHEN ADDED TO THE
OTHER MEASURES INDICATED BY THE GOP, SHOULD PLACE THE
SUPPLY FUND INTO A SURPLUS POSITION. FOLLOWING IS NEW
PRICE SCHEDULE:

		ESCUDO PRICE		PERCENT
ITEM	MEASURE	OLD	NEW	CHANGE
GASOLINE, PREMIUM	LITER	17.50	21.00	PLUS 20.0
GASOLINE, REGULAR	LITER	15.00	18.00	PLUS 20.0
CITY GAS	CUBIC	2.80	3.50	PLUS 25.0
METER				
KEROSENE	LITER	4.00	4.60	PLUS 15.0
DIESEL FUEL				
PUBLIC	LITER	6.00	6.00	-
(NO CHANGE)				
RAILWAY COMPANY	LITER	3.50	6.00	PLUS 71.4
FUEL OIL				
PUBLIC	KILOGRAM	2.00	2.30	PLUS 15.0
RAILWAY COMPANY	KILOGRAM	1.30	2.00	PLUS 53.8
ELECTRIC POWER				
PRODUCTION	KILOGRAM	1.30	2.00	PLUS 53.8
BUTANE GAS IN BOTTLES				
OF LESS THAN 3 KILOS				NO OFFICIAL PRICE -
BUTANE GAS IN BOTTLE OF				
MORE THAN 3 KILOS				
AT RETAILERS	KILOGRAM	9.60	10.60	PLUS 10.4
DELIVERED AT HOME	KILOGRAM	10.50	11.50	PLUS 9.5
BUTANE GAS PIPED AT				
PLACE OF CONSUMPTION				
IN BULK	KILOGRAM	11.40	12.40	PLUS 8.8

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LISBON 00619 01 OF 02 220920Z

IN BOTTLES	KILOGRAM	11.40	12.40	PLUS 8.8
BUTANE GAS FOR IN-				
DUSTRY, SUPPLIED IN				
BULK AT DISTRIBUTOR'S				
WAREHOUSE	KILOGRAM	6.20	7.50	PLUS 21.0
BUTANE GAS, OTHER				
CONSUMERS, SUPPLIED IN				
BULK AT DISTRIBUTOR'S				
WAREHOUSE	KILOGRAM	6.20	7.50	PLUS 21.0
PROPANE GAS IN BOTTLES				
OVER 3 KILOS				
AT RETAILERS	KILOGRAM	10.30	11.30	PLUS 9.7
DELIVERED AT HOME	KILOGRAM	11.40	12.40	PLUS 8.8
PROPANE GAS PIPED AT				
PLACE OF CONSUMPTION				
IN BULK	KILOGRAM	11.40	12.40	PLUS 8.8
IN BOTTLES	KILOGRAM	11.40	12.40	PLUS 8.8
PROPANE GAS, FOR				
INDUSTRY, SUPPLIED IN				

BULK AT THE DISTRIBUTOR'S

WAREHOUSE KILOGRAM 6.60 7.60 PLUS 15.2

PROPANE GAS, OTHER

CONSUMERS, SUPPLIED IN

BULK AT DISTRIBUTOR'S

WAREHOUSE KILOGRAM 6.60 7.60 PLUS 15.2

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LISBON 00619 02 OF 02 220928Z

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /102 W

-----220930Z 010685 /12

P 211741Z JAN 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 9912

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

UNCLAS SECTION 2 OF 2 LISBON 0619

PASS TREASURY FOR SYVRUD

4. ELECTRICAL SECTOR: COUNCIL OF MINISTERS HAS DECREED
TWO MEASURES WHICH WILL SIGNIFICANTLY AFFECT ELECTRICITY
COMPANY, ELECTRICIDADE DE PORTUGAL (EDP). COUNCIL:

-- AUTHORIZED PREPARATION OF A NEW TARIFF SCHEDULE WHICH,
ACCORDING TO KNOWLEDGEABLE OFFICIAL, WILL INCREASE EDP
REVENUES BY 25 PERCENT; AND

-- RAISED PRICE OF FUEL OIL FOR EDP'S THERMAL PLANTS
BY 54 PERCENT, THEREBY REDUCING SUPPLY FUND SUBSIDY
TO EDP FROM 1.6 ESCUDOS TO 0.9 ESCUDOS PER KILOGRAM.

5. COMMENT: LARGE RAISE IN REVENUE SHOULD INSURE A
SOUND FINANCIAL POSITION FOR EDP. OVER THREE-QUARTERS
OF COMPANY'S INSTALLED GENERATING CAPACITY IS HYDRO-
ELECTRIC. DROUGHTS LEFT COMPANY HIGHLY DEPENDENT ON
IMPORTED FUEL OIL AND ELECTRICITY IN 1975-76. HOW-
EVER, HEAVY RAINS THIS WINTER HAVE FILLED RESERVOIRS
(CURRENTLY AT 77 PERCENT CAPACITY VS. 37 PERCENT A YEAR
AGO). EDP IS SELLING POWER TO SPAIN, AND WILL
RECEIVE EQUAL VALUE IN POWER IN RETURN DURING LATE

SUMMER AND EARLY FALL. CONSEQUENTLY, COMPANY EXPECTS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 00619 02 OF 02 220928Z

TO HALVE UTILIZATION OF THERMAL PLANTS THIS YEAR.
NET BALANCE OF PAYMENTS SAVINGS SHOULD APPROXIMATE
\$70 MILLION.

6. DECISION SUMMARIZED ABOVE SIGNIFY MAJOR
ACCELERATION IN GOP ECONOMIC DECISION PROVESS. THE WILL
VERY LIKELY ELIMINATE DEFICIT OF THE SUPPLY FUND AND
SIGNIFICANTLY REDUCE DEFICIT OF THE SOCIAL SECURITY
SYSTEM. PUBLIC REACTION ON THE CONTINENT THUS FAR HAS
BEEN MINIMAL, BUT RATHER SEVERE IN THE AZORES. ACCORDING
TO PRIME MINISTER, REGIONAL GOVERNMENT HAS REFUSED TO
IMPLEMENT PRICE INCREASES. SOME DISTRIBUTING COMPANIES
HAVE TEMPORARILY STOPPED MARKETING PETROLEUM PRODUCTS.
SOARES TOLD AMBASSADOR CENTRAL GOVERNMENT WILL SEND
SPECIAL PROSECUTOR TO HANDLE SITUATION IN AZORES. IF
GOP CAN HOLD THE LINE ON THESE DECISIONS, IT WILL HAVE
TAKEN A VERY MAJOR STEP TOWARD LIMITING THE PUBLIC SECTOR
DEFICIT TO THE LEVEL PROJECTED IN THE BUDGET.
CARLUCCI

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PROFITS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON00619
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770024-0217
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770130/aaaabact.tel
Line Count: 196
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 530a61d3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3540192
Secure: OPEN
Status: NATIVE
Subject: GOP DECISIONS TO INCREASE RECEIPTS SIGNIFICANTLY
TAGS: ECON, PO
To: STATE OPORTO
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/530a61d3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009